<u>What Is Claimed Is</u>:

1. A method for selecting entries in a basket of securities designed to conform to a performance index of a capital market over a predetermined period of time, comprising the steps of:

5   sorting securities of the capital market in accordance with a market valuation at a given initial time;

providing a measure of volatility associated with each of the sorted securities of the given time;

computing an average volatility measure associated with a select group of securities;

10   comparing the average volatility measure of the select group of securities to a predetermined constant, wherein said constant is about 1;

based on the comparison, modifying the composition of the select group of securities and repeating the steps of computing and comparing until a basket of securities is selected for which the average volatility measure substantially matches the predetermined

15   constant;

computing a price measure associated with the basket of securities;

monitoring the price measure associated with the basket of securities over the predetermined period of time from the given initial time; and

periodically adjusting the composition of the basket of securities based on a

20   comparison of the monitored price measure associated with the basket of securities and the performance index of the capital market.

2. The method of claim 1, wherein the step of computing a price measure comprises:

for each security in the basket of securities computing the current ask price, bid

25   price and trade price based upon market information and stored data associated with financial characteristics of the security; and

determining the current aggregate ask prices, bid prices and trade prices for the basket of securities.

30   3. The method of claim 2 further comprising the step of adjusting the current aggregate ask prices, bid prices and trade prices for the basket of securities to include income accrued from the basket of securities and management and trade settlement expenses associated with the basket of securities.

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4. The system of claim 1 wherein the predetermined period of time is longer than one year.

5. The method of claim 1, wherein the average volatility measure is a beta factor.

6. The method of claim 1, wherein prior to the step of computing an average volatility measure the method further comprises the steps of:

designating a set of constraints on the current financial reports on securities in the capital market;

designating a level of certainty regarding future events;

designating predicted future values of economic variables; and

executing a mathematical programming optimization function using the designated set of constraints on the current financial reports on the securities, level of certainty regarding future events and predicted future values of economic variables.

7. A computer-based system for selecting entries in a basket of securities designed to conform to a performance index of a capital market over a predetermined period of time, comprising:

a computer software program executable to sort securities of the capital market in accordance with a market valuation at a given initial time;

a computer software program executable to compute an average volatility measure associated with a select group of securities based on input data indicative of a measure of volatility associated with each of the sorted securities;

a comparator comparing the average volatility measure of the select group of securities to a predetermined constant, wherein said constant is about 1;

a computer software program executable to modify the composition of the select group of securities until a basket of securities is selected for which the average volatility measure substantially matches the predetermined constant;

a computer software program computing a price measure associated with the basket of securities; and a

computer software program executable to adjust the composition of the basket of securities based on a comparison of the price measure associated with the basket of securities and the performance index of the capital market.

8. The system of claim 7 further comprising a computer software program executable to evaluate an expected investment return for the selected basket of securities in the basket of shares over the predetermined period of time.

9. The system of claim 7 further comprising a computer software program executable to record the investment performance of the basket of securities over time.

10. The system of claim 7, wherein input is received from a global communication network for reporting the trade transactions of each of said one or more selected securities.

11. The system of claim 7, wherein further comprises memory for storing a record of the last N transactions of each of said one or more selected securities in the basket of securities.

12. The system of claim 7 further comprising a computer software program generating a report containing information about the price measure associated with the basket of securities and the performance index of the capital market.

13. A method for selecting entries in a basket of equity securities designed to conform to a performance index of a capital market over a predetermined period of time, comprising the steps of:

sorting equity securities of the capital market in accordance with a market valuation at a given initial time;

providing a measure of volatility associated with each of the sorted equity securities of the given time;

computing an average volatility measure associated with a select group of equity securities;

comparing the average volatility measure of the select group of equity securities to a predetermined constant, wherein said constant is about 1;

based on the comparison, modifying the composition of the select group of equity securities and repeating the steps of computing and comparing until a basket of equity securities is selected for which the average volatility measure substantially matches the predetermined constant;

computing a price measure associated with the basket of equity securities over the predetermined period of time from the given initial time; and

periodically adjusting the composition of the basket of equity securities based on a comparison of the monitored price measure associated with the basket of equity securities and the performance index of the capital market.

14. A computer based system for selecting entries in a basket of equity securities designed to conform to a performance index of a capital market over a predetermined period of time, comprising:

a computer software program executable to sort equity securities of the capital market in accordance with a market valuation at a given initial time;

a computer software program executable to compute an average volatility measure associated with a select group of equity securities based on input data indicative of a measure of volatility associated with each of the sorted equity securities;

a comparator comparing the average volatility measure of the select group of equity securities to a predetermined constant, wherein said constant is about 1;

a computer software program executable to modify the composition of the select group of equity securities until a basket of equity securities is selected for which the average volatility measure substantially matches the predetermined constant;

a computer software program computing a price measure associated with the basket of equity securities; and

a computer software program executable to adjust the composition of the basket of equity securities based on a comparison of the price measure associated with the basket of equity securities and the performance index of the capital market.